SEKHUKHUNE
District Municipality

Sekhukhune District Municipality
Consolidated Annual Financial Statement
for the year ended 30 June 2019
Auditor General (SA)
Chartered Accountants (S.A.)
Registered Auditors

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayoral committee	
Executive Mayor	Cllr Ramaila KS
	Cllr Manamela MM (Council Speaker) Cllr Lepota TJ (Chief Whip) Cllr Sihlangu TL Cllr Mahlangu MF Cllr Nchabeleng TL Cllr Matlala MA Cllr Manganeng ML Cllr Mnisi SP Cllr Mmakola MY Cllr Nkosi SM
Councillors	Cllr Mafefe OH Cllr Mamekoa RS Cllr Sefala KRE Cllr Mhlanga CT Cllr Maila SM Cllr Matsetela ML Cllr Mohlala MC Cllr Moimane MT Cllr Mtsweni BW
Grading of local authority	Grade 4 Municipality
Chief Finance Officer (CFO)	Mr JM Mofokeng
Accounting Officers	Ms NT Maseko Mr JM Mofokeng (Acting)
Registered office	03 West Street Groblersdal 0470
Postal address	Private Bag X8611 Groblersdal 0470
Website	www.sekhukhunedistric.gov.za
Telephone number	(013) 262 7300
Bankers	Standard Bank
Auditors	Auditor General (SA) Chartered Accountants (S.A.) Registered Auditors

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The reports and statements set out below comprise the consolidated annual financial statement presented to the provincial legislature:

Rounding	All amount are rounded off to the nearest Rand
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statement and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the consolidated annual financial statement fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statement and was given unrestricted access to all financial records and related data.

The consolidated annual financial statement have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statement are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statement. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independent auditing and reporting on the municipality's consolidated annual financial statement. The consolidated annual financial statement have been examined by the municipality's external auditors and their report is presented on page 5.

The consolidated annual financial statement set out on pages 5 to 51, which have been prepared on the going concern basis, were approved by the Accounting officer on 30 September 2019 and were signed on its behalf by:

Mr JM Mofokeng
Acting Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed below and should meet 4 times per annum as per its approved terms of reference. During the current year 7 meetings were held.

Name of member	Number of meetings attended
Mr L Lankalebalela	7
Mr M Mokwele	6
Ms G Molepo	3
Ms M Ndlovhu	5
Ms T Mathabatha	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 (2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of consolidated annual financial statement

The audit committee has:

- reviewed and discussed the audited consolidated annual financial statement to be included in the annual report, with the Auditor-General and the Accounting Officer and senior management of the municipality ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the consolidated annual financial statement, and are of the opinion that the audited consolidated annual financial statement should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: 30/09/2019

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The Consolidated net surplus of the municipality was R 306 797 269 (2018: surplus R 376 528 530).

2. Going concern

The consolidated annual financial statement have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on continued funding by National Government as per DORA over the MTREF period. There are no reasons to believe that funding may be stopped in the foreseeable future

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The consolidated annual financial statement prepared accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Bankers

Standard bank has been appointed as the primary banker of the municipality during the year for a period of five years

6. Auditors

Auditor General (SA) will continue in office for the next financial period.

Consolidated Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	5	22 284 003	26 261 454
Receivables from non-exchange transactions	6	52 333 628	47 347 671
VAT receivable	7	47 061 413	58 671 660
Receivables from exchange transactions	8	101 861 361	70 420 853
Cash and cash equivalents	9	59 170 042	103 906 202
		282 710 447	**306 607 840**
Non-Current Assets			
Property, plant and equipment	2	3 335 580 731	2 957 111 636
Intangible assets	3	7	7
		3 335 580 738	**2 957 111 643**
Total Assets		**3 618 291 185**	**3 263 719 483**
Liabilities			
Current Liabilities			
Borrowings	11	-	276 925
Operating lease liability	4	1 176 436	960 256
Payables from exchange transactions	13	401 131 866	385 737 035
Consumer deposits	14	4 209 180	3 808 715
Unspent conditional grants and receipts	10	62 579 407	46 739 400
Provisions	12	22 457 905	19 257 578
Bank overdraft	9	26 133 726	-
		517 688 520	**456 779 909**
Non-Current Liabilities			
Provisions	12	21 426 853	34 561 030
Total Liabilities		**539 115 373**	**491 340 939**
Net Assets		**3 079 175 812**	**2 772 378 544**
Reserves			
Revaluation reserve		100 000	100 000
Accumulated surplus		3 079 075 812	2 772 278 544
Total Net Assets		**3 079 175 812**	**2 772 378 544**

* See Note 34

Consolidated Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	86 115 109	71 060 559
Interest received - Debtors		11 892 632	8 159 250
Actuarial gains		927 478	2 128 061
Other income		5 210 833	892 676
Provision for landfill site written back		12 441 973	9 607 460
Creditors written off		87 737	-
Interest received	17	11 954 312	11 778 640
Total revenue from exchange transactions		**128 630 074**	**103 626 646**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	18	1 320 585 633	1 251 871 451
Total revenue	15	**1 449 215 707**	**1 355 498 097**
Expenditure			
Employee related costs	19	(380 526 166)	(332 808 856)
Remuneration of councillors	20	(16 597 724)	(17 171 151)
Repairs and maintenance		(56 366 047)	(43 776 037)
Depreciation and amortisation	21	(78 831 976)	(79 531 849)
Impairment loss	22	(3 767 402)	(2 636 107)
Finance costs	23	(3 829 748)	(3 562 103)
Lease rentals on operating lease		(56 004 026)	(57 496 429)
Debt Impairment	24	(15 101 117)	(15 754 455)
Bulk purchases	25	(196 006 452)	(133 159 049)
Contracted services	26	(79 299 609)	(76 603 384)
Loss on disposal of assets and liabilities		(276 547)	(1 838 142)
Board Fees		(575 646)	(339 116)
General Expenses	27	(255 235 978)	(214 644 795)
Total expenditure		**(1 142 418 438)**	**(979 321 473)**
Surplus for the year		**306 797 269**	**376 176 624**

* See Note 34

Consolidated Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	-	2 406 514 398	2 406 514 398
Adjustments			
Prior year adjustments	-	(10 412 478)	(10 412 478)
Balance at 01 July 2017 as restated*	**-**	**2 396 101 920**	**2 396 101 920**
Changes in net assets			
Revaluation of land	100 000	-	100 000
Net income (losses) recognised directly in net assets	100 000	-	100 000
Surplus for the year	-	376 176 624	376 176 624
Total recognised income and expenses for the year	100 000	376 176 624	376 276 624
Total changes	100 000	376 176 624	376 276 624
Restated* Balance at 01 July 2018	**100 000**	**2 772 278 543**	**2 772 378 543**
Changes in net assets			
Surplus for the year	-	306 797 269	306 797 269
Total changes	-	306 797 269	306 797 269
Balance at 30 June 2019	**100 000**	**3 079 075 812**	**3 079 175 812**

Note(s)

* See Note 34

Consolidated Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		53 256 925	43 966 872
Grants		1 341 411 598	1 262 947 481
Interest income		11 954 312	11 778 640
Other receipts		14 000	892 676
		1 406 636 835	1 319 585 669
Payments			
Employee costs		(397 173 156)	(349 072 054)
Suppliers		(611 213 788)	(466 674 454)
Finance costs		(346 933)	(246 239)
		(1 008 733 877)	(815 992 747)
Net cash flows from operating activities	29	**397 902 958**	**503 592 922**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(468 495 919)	(417 668 626)
Cash flows from financing activities			
Repayment of borrowings		(276 925)	(968 724)
Net cash flows from financing activities		**(276 925)**	**(968 724)**
Net increase/(decrease) in cash and cash equivalents		**(70 869 886)**	**84 955 572**
Cash and cash equivalents at the beginning of the year		103 906 202	18 950 630
Cash and cash equivalents at the end of the year	9	**33 036 316**	**103 906 202**

* See Note 34

Consolidated Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	82 307 636	(2 800 000)	**79 507 636**	86 115 109	**6 607 473**	Note 45 - N1
Interest received (trading)	6 769 830	2 000 000	**8 769 830**	11 892 632	**3 122 802**	Note 45 - N2
Discount received	-	-	-	927 478	**927 478**	
Other income	6 710 271	(1 175 000)	**5 535 271**	5 210 833	**(324 438)**	Note 45 - N3
Provision for landfill site written back	-	-	-	12 441 973	**12 441 973**	Note 45 - N4
Other income 3	-	-	-	87 737	**87 737**	
Interest received - investment	12 312 608	(3 000 000)	**9 312 608**	11 954 312	**2 641 704**	Note 45 - N5
Total revenue from exchange transactions	**108 100 345**	**(4 975 000)**	**103 125 345**	**128 630 074**	**25 504 729**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 506 238 529	(59 031 000)	**1 447 207 529**	1 320 585 633	**(126 621 896)**	Note 45 - 6
Total revenue	**1 614 338 874**	**(64 006 000)**	**1 550 332 874**	**1 449 215 707**	**(101 117 167)**	
Expenditure						
Personnel	(342 334 621)	(18 197 507)	**(360 532 128)**	(380 526 166)	**(19 994 038)**	Note 45 - 7
Remuneration of councillors	(17 370 380)	1 719 686	**(15 650 694)**	(16 597 724)	**(947 030)**	Note 45 - 8
Repairs and maintenance	-	-	-	(56 366 047)	**(56 366 047)**	
Depreciation and amortisation	(66 126 601)	-	**(66 126 601)**	(78 831 976)	**(12 705 375)**	Note 45 - 9
Impairment loss/ Reversal of impairments	-	-	-	(3 767 402)	**(3 767 402)**	
Finance costs	(1 100 000)	-	**(1 100 000)**	(3 829 748)	**(2 729 748)**	Note 45 - 10
Lease rentals on operating lease	-	-	-	(56 004 026)	**(56 004 026)**	Note 45 - 11
Debt Impairment	-	-	-	(15 101 117)	**(15 101 117)**	Note 45 - 12
Bulk purchases	(112 542 000)	23 844 473	**(88 697 527)**	(196 006 452)	**(107 308 925)**	Note 45 - 13
Contracted Services	(273 528 525)	23 043 743	**(250 484 782)**	(79 299 609)	**171 185 173**	Note 45 - 14
Transfers and Subsidies	(3 952 000)	-	**(3 952 000)**	-	**3 952 000**	
General Expenses	(127 358 880)	(18 060 518)	**(145 419 398)**	(255 235 978)	**(109 816 580)**	Note 45 - 15
Total expenditure	**(944 313 007)**	**12 349 877**	**(931 963 130)**	**(1 141 566 245)**	**(209 603 115)**	
Operating surplus	**670 025 867**	**(51 656 123)**	**618 369 744**	**307 649 462**	**(310 720 282)**	
Loss on disposal of assets and liabilities	-	-	-	(276 547)	**(276 547)**	Note 45 - 16
Board fees	(556 080)	(22 548)	**(578 628)**	(575 646)	**2 982**	
	(556 080)	**(22 548)**	**(578 628)**	**(852 193)**	**(273 565)**	
Surplus before taxation	**669 469 787**	**(51 678 671)**	**617 791 116**	**306 797 269**	**(310 993 847)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**669 469 787**	**(51 678 671)**	**617 791 116**	**306 797 269**	**(310 993 847)**	

Consolidated Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	27 759 000	-	**27 759 000**	22 284 003	**(5 474 997)**	
Receivables from exchange transactions	75 950 892	-	**75 950 892**	-	**(75 950 892)**	
Receivables from non-exchange transactions	47 402 844	-	**47 402 844**	52 333 628	**4 930 784**	
VAT receivable	-	-	-	47 061 413	**47 061 413**	
Consumer debtors	-	-	-	101 861 361	**101 861 361**	
Cash and cash equivalents	71 964 001	-	**71 964 001**	33 036 316	**(38 927 685)**	
	223 076 737	-	**223 076 737**	**256 576 721**	**33 499 984**	
Non-Current Assets						
Property, plant and equipment	4 457 877 786	(9 522 673)	**4 448 355 113**	3 335 580 731	**(1 112 774 382)**	
Intangible assets	-	-	-	7	**7**	
	4 457 877 786	**(9 522 673)**	**4 448 355 113**	**3 335 580 738**	**(1 112 774 375)**	
Total Assets	**4 680 954 523**	**(9 522 673)**	**4 671 431 850**	**3 592 157 459**	**(1 079 274 391)**	
Liabilities						
Current Liabilities						
Borrowings	10 172 000	-	**10 172 000**	-	**(10 172 000)**	
Operating lease liability	-	-	-	1 176 436	**1 176 436**	
Payables from exchange transactions	98 323 737	39 400 000	**137 723 737**	401 131 867	**263 408 130**	
Consumer deposits	2 626 000	-	**2 626 000**	4 209 180	**1 583 180**	
Unspent conditional grants and receipts	-	-	-	62 579 407	**62 579 407**	
Provisions	-	-	-	22 457 905	**22 457 905**	
	111 121 737	**39 400 000**	**150 521 737**	**491 554 795**	**341 033 058**	
Non-Current Liabilities						
Provisions	32 814 000	-	**32 814 000**	21 426 853	**(11 387 147)**	
Total Liabilities	**143 935 737**	**39 400 000**	**183 335 737**	**512 981 648**	**329 645 911**	
Net Assets	**4 537 018 786**	**(48 922 673)**	**4 488 096 113**	**3 079 175 811**	**(1 408 920 302)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	100 000	**100 000**	
Accumulated surplus	4 537 018 786	(48 922 673)	**4 488 096 113**	3 079 075 811	**(1 409 020 302)**	
Total Net Assets	**4 537 018 786**	**(48 922 673)**	**4 488 096 113**	**3 079 175 811**	**(1 408 920 302)**	

Accounting Policies

1. Presentation of Consolidated Annual Financial Statement

The consolidated annual financial statement have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated annual financial statement have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statement, are disclosed below.

1.1 Presentation currency

These consolidated annual financial statement are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These consolidated annual financial statement have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statement, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statement and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statement. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value as determined by the local municipalities in the approved valuation rolls.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indifinite lifespan
Community assets	Straight line	15 to 30 years
Buildings	Straight line	30 years
Machinery and equipment	Straight line	2 to 19 years
Transport assets	Straight line	5 to 15 years
Furniture and office equipment	Straight line	3 to 10 years
IT equipment	Straight line	2 - 17 years
Communication equipment	Straight line	15 years
Leasehold improvements	Straight line	5 to 10 years
Infrastructure - Water, reservoris and reticulation	Straight line	5 to 80 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

1.5 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 27).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 2).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.7 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

Accounting Policies

1.8 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

1.8 Financial instruments (continued)

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivable from exchange transactions	Financial asset measured at amortised cost
Receivable from non-exchange transaction	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Borrowings	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost
Payables from exchange transaction	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost

Accounting Policies

1.8 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

1.10 Inventories (continued)

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories for consumables is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The cost of inventories for Operations and Maintanance materials not bought through normal stores system are assigned using the first-in, first-out (FIFO) formula..

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, short-term money market instruments and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are measured at amortised cost.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.14 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

1.14 Provisions and contingencies (continued)

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

1.17 Revenue from non-exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Accounting Policies

1.22 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The consolidated annual financial statement and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.24 Budget information (continued)

The Statement of comparative and actual information has been included in the consolidated annual financial statement as the recommended disclosure when the consolidated annual financial statement and the budget are on the same basis of accounting as determined by National Treasury.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Consolidated Annual Financial Statement

Figures in Rand

Notes to the Consolidated Annual Financial Statement

Figures in Rand

2. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	900 000	-	900 000	900 000	-	900 000
Buildings	300 000	(53 279)	246 721	300 000	(43 306)	256 694
Plant and machinery	5 519 545	(1 859 743)	3 659 802	3 758 893	(1 240 189)	2 518 704
Furniture and office equipment	10 523 925	(5 912 769)	4 611 156	9 218 791	(4 488 561)	4 730 230
Transport assets	11 630 099	(4 719 951)	6 910 148	6 991 961	(3 477 657)	3 514 304
IT equipment	11 271 539	(5 756 314)	5 515 225	9 168 254	(4 329 684)	4 838 570
Leasehold improvements	200 300	(69 260)	131 040	200 300	(46 755)	153 545
Roads Infrastructure	65 704 027	(34 847 582)	30 856 445	65 704 027	(30 728 824)	34 975 203
Land and community assets	37 855 665	(17 660 154)	20 195 511	38 409 072	(15 745 294)	22 663 778
Communication equipment	161 404	(86 023)	75 381	161 404	(75 292)	86 112
Wastewater network	70 975 865	(32 172 440)	38 803 425	70 975 865	(29 372 656)	41 603 209
Water network	2 243 339 296	(577 958 139)	1 665 381 157	1 978 516 772	(502 074 022)	1 476 442 750
Assets under construction (WIP)	1 558 294 720	-	1 558 294 720	1 364 428 537	-	1 364 428 537
Total	**4 016 676 385**	**(681 095 654)**	**3 335 580 731**	**3 548 733 876**	**(591 622 240)**	**2 957 111 636**

Notes to the Consolidated Annual Financial Statement

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	900 000	-	-	-	-	-	900 000
Buildings	256 694	-	-	-	(9 973)	-	246 721
Plant and machinery	2 518 704	1 760 652	-	-	(534 967)	(84 587)	3 659 802
Furniture and office equipment	4 730 230	1 305 135	-	-	(1 149 805)	(274 404)	4 611 156
Transport assets	3 514 304	4 638 139	-	-	(1 242 295)	-	6 910 148
IT equipment	4 838 570	2 103 285	-	-	(1 409 617)	(17 013)	5 515 225
Leasehold improvements	153 545	-	-	-	(22 505)	-	131 040
Roads Infrastructure	34 975 203	-	-	-	(3 930 229)	(188 529)	30 856 445
Land and Community Assets	22 663 778	-	(276 547)	-	(1 155 809)	(1 035 911)	20 195 511
Communication equipment	86 112	-	-	-	(10 731)	-	75 381
Wastewater network	41 603 209	-	-	-	(2 797 641)	(2 143)	38 803 425
Water network	1 476 442 750	26 422 387	-	238 400 137	(73 719 301)	(2 164 816)	1 665 381 157
Assets under construction (WIP)	1 364 428 537	432 266 320	-	(238 400 137)	-	-	1 558 294 720
	2 957 111 636	**468 495 918**	**(276 547)**	**-**	**(85 982 873)**	**(3 767 403)**	**3 335 580 731**

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	900 000	-	-	-	-	-	-	900 000
Buildings	266 667	-	-	-	-	(9 973)	-	256 694
Plant and machinery	2 569 167	489 123	(138 718)	-	-	(400 868)	-	2 518 704
Furniture and equipment	4 942 042	779 684	(34 233)	-	-	(945 905)	(11 358)	4 730 230
Transport assets	3 523 408	716 200	(9 986)	-	-	(715 318)	-	3 514 304
IT equipment	4 447 023	1 542 651	(100 549)	-	-	(1 050 555)	-	4 838 570
Leasehold improvements	176 050	-	-	-	-	(22 505)	-	153 545
Roads Infrastructure	38 201 071	-	-	-	-	(3 225 868)	-	34 975 203
Land and community assets	26 424 410	29 500	(218 702)	(2 518 613)	100 000	(1 152 817)	-	22 663 778
Communication equipment	96 843	-	-	-	-	(10 731)	-	86 112
Wastewater network	43 186 828	-	-	1 741 998	-	(2 718 188)	(607 429)	41 603 209
Water network	1 288 514 971	12 668 833	(1 335 954)	247 829 419	-	(69 249 812)	(1 984 707)	1 476 442 750
Assets under construction (WIP)	1 208 295 559	401 442 635	-	(245 309 657)	-	-	-	1 364 428 537
	2 621 544 039	**417 668 626**	**(1 838 142)**	**1 743 147**	**100 000**	**(79 502 540)**	**(2 603 494)**	**2 957 111 636**

Pledged as security

No assets are pledged as security.

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	1 558 294 721	1 364 428 537

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

2. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance	56 366 047	43 776 037

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	185 122	(185 115)	7	185 122	(185 115)	7

Reconciliation of intangible assets - 2019

	Opening balance	**Total**
Computer software	7	7

Reconciliation of intangible assets - 2018

	Opening balance	**Amortisation**	**Impairment loss**	**Total**
Computer software	61 930	(29 310)	(32 613)	7

4. Operating lease liability

Current liabilities	(1 176 436)	(960 256)

Present value of minimum lease payments due		
- within one year	(230 016)	(664 435)

The lease liability is due to payments on leases to be made in the future years as a result of straight lining operating leases on office rentals and fleet

5. Inventories

Water invetory	1 133 518	1 078 457
Consumable stores	1 342 000	2 927 818
Maintanance Materials	19 808 485	22 255 179
	22 284 003	**26 261 454**

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

6. Receivables from non-exchange transactions

Government grants - RBIG Funds	50 506 249	47 673 673
Guarantees	25 080 622	25 080 622
Sundry debtors	1 827 379	(326 002)
Less: guarantee impairment	(25 080 622)	(25 080 622)
	52 333 628	**47 347 671**

7. VAT receivable

VAT	47 061 413	58 671 660

The VAT receivable is mainly made up of outstanding refunds at year end, penalties on disallowed VAT that was paid after year end and VAT on debtors and creditors

8. Receivables from exchange transactions

Gross balances		
Water	188 374 883	139 104 692
Waste water	12 810 205	17 231 231
Other receivable	1 692 460	-
	202 877 548	**156 335 923**
Less: Allowance for impairment		
Water	(94 479 039)	(76 636 242)
Waste water	(6 537 148)	(9 278 828)
	(101 016 187)	**(85 915 070)**
Net balance		
Water	93 895 844	62 468 450
Waste water	6 273 057	7 952 403
Other receivable	1 692 460	-
	101 861 361	**70 420 853**
Water		
Current (0 -30 days)	7 594 888	8 918 591
31 - 60 days	6 424 913	6 560 541
61 - 90 days	5 513 185	2 920 798
91 - 120 days	4 311 764	5 615 893
121 - 365 days	164 530 134	115 088 869
Debt impairment	(94 479 040)	(76 636 242)
	93 895 844	**62 468 450**
Waste water		
Current (0 -30 days)	1 041 164	1 013 025
31 - 60 days	695 253	745 184
61 - 90 days	554 156	331 762
91 - 120 days	500 558	637 885
121 - 365 days	10 019 074	14 503 375
> 365 days	(6 537 148)	(9 278 828)
	6 273 057	**7 952 403**

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

8. Receivables from exchange transactions (continued)

Other receivable		
Current (0 -30 days)	1 692 460	-

Reconciliation of allowance for impairment		
Balance at beginning of the year	(85 915 070)	(70 160 616)
Contributions to allowance	(15 101 117)	(15 754 454)
	(101 016 187)	**(85 915 070)**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	301 750	18 776 834
Short-term deposits	58 868 292	85 129 368
Bank overdraft	(26 133 726)	-
	33 036 316	**103 906 202**

Current assets	59 170 042	103 906 202
Current liabilities	(26 133 726)	-
	33 036 316	**103 906 202**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
Standard bank - Primary Account	10 678 590	18 497 863	(1 495 480)	(26 133 726)	18 295 305	(488 657)
FNB Call account	775 630	32 727 255	10 530 179	775 630	32 727 255	10 530 179
Nedbank call account	16 150 624	-	-	16 150 624	42 271	-
ABSA Call account	41 941 330	-	251 435	41 942 038	87 300	252 857
Standard bank call account	-	52 272 542	8 178 362	-	52 272 542	8 178 362
ABSA business account	301 750	481 529	477 890	301 750	481 529	477 890
Total	**69 847 924**	**103 979 189**	**17 942 386**	**33 036 316**	**103 906 202**	**18 950 631**

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	16 168 634	36 834 705
Finance Mangement Grant (FMG)	5	-
Water Services Infrastructure Grant (WSIG)	44 877 946	8 184 087
Expanded Public Works Programme (EPWP)	653	-
Rural Roads Asset Management System Grant (RRAMS)	5 340	-
Industrial Development Corporation (IDC)	1 526 829	1 720 608
	62 579 407	**46 739 400**

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 18 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

11. Borrowings

At amortised cost		
Loan - Anglo Platinum loan Unsecured loan bearing interest at 8%	-	276 925

The loan was full repaid during the current financial year.

Current liabilities		
At amortised cost	-	276 925

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

12. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Employee benefits vesting	Change in discount factor	Acturial gains and losses	Total
Environmental rehabilitation - Landfill site	12 441 973	-	(12 441 973)	-	-	-	
Unused leave provision	26 036 129	3 429 240	-	(3 365 462)	2 254 083	(3 955 647)	24 398 34
Long service award provision	15 340 506	1 485 483	-	(1 596 475)	1 228 732	3 028 169	19 486 41
	53 818 608	**4 914 723**	**(12 441 973)**	**(4 961 937)**	**3 482 815**	**(927 478)**	**43 884 75**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Employee benefits vesting	Change in discount factor	Acturial gains and losses	Total
Environmental rehabilitation	21 980 081	(239 984)	(9 607 460)	-	309 336	-	12 441 97
Unused leave provision	25 350 539	3 354 433	-	(2 573 466)	2 209 544	(2 304 921)	26 036 12
Long service award provision	13 722 370	1 420 626	-	(1 085 670)	1 106 320	176 860	15 340 50
	61 052 990	**4 535 075**	**(9 607 460)**	**(3 659 136)**	**3 625 200**	**(2 128 061)**	**53 818 60**

	2019	2018
Non-current liabilities	21 426 853	34 561 030
Current liabilities	22 457 905	19 257 578
	43 884 758	**53 818 608**

Unused leave provision

The provision is the value of unused leave liability at year end. The following assumptions were used in the determination of the leave liability:

The discount rate of 8.07% and the general salary inflation of 5.51% resulting in net effective discount rate of 2.43%. The average retirement age was assumed to be 62 years.

Long service awards provision

The provision is the value of long service award liability that is expected to be payable under the municipality's current arrangements and as per condition of service approved by SALGBC. The following assumptions were used in determining the long service award liability:

852 employees were eligible for long service awards. The discount rate of 9.13% and the general salary inflation of 6.15% resulting in net effective discount rate of 2.81%. The average retirement age was assumed to be 62 years.

13. Payables from exchange transactions

	2019	2018
Trade payables	234 568 711	209 532 775
Other payables	87 236	12 243 409
Retention and sessions	155 556 725	153 951 653
Deposits received	2 675 571	2 155 389
Bonus provision	7 958 905	7 519 558
Leave Accrual	241 929	246 514
Other accrued expenses	42 789	87 737
	401 131 866	**385 737 035**

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

14. Consumer deposits

Water	4 209 180	3 808 715

15. Revenue

Service charges	86 115 109	71 060 559
Interest received (trading)	11 892 632	8 159 250
Actuarial gains	927 478	2 128 061
Other income	5 210 833	892 676
Provision for landfill written back	12 441 973	9 607 460
Creditors written off	87 737	-
Interest received - investment	11 954 312	11 778 640
Government grants & subsidies	1 320 585 633	1 251 871 451
	1 449 215 707	**1 355 498 097**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	86 115 109	71 060 559
Interest received (trading)	11 892 632	8 159 250
Actuarial gains	927 478	2 128 061
Other income	5 210 833	892 676
Provision for landfill written back	12 441 973	9 607 460
Creditors written off	87 737	-
Interest received - investment	11 954 312	11 778 640
	128 630 074	**103 626 646**

The amount included in revenue arising from non-exchange transactions is as follows:
Taxation revenue
Transfer revenue

Government grants & subsidies	1 320 585 633	1 251 871 451

16. Service charges

Sale of water	78 801 129	62 135 621
Sewerage and sanitation charges	7 313 980	8 924 938
	86 115 109	**71 060 559**

17. Investment revenue

Interest revenue

Short term investments	9 689 842	9 546 482
Primary bank account	2 264 470	2 232 158
	11 954 312	**11 778 640**

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

18. Government grants and subsidies

Operating grants		
Equitable share	711 480 000	658 579 596
Department of Health	-	10 031 000
Expanded Public Works Programme Grant (EPWP)	1 745 347	1 085 000
Finance Management Grant (FMG)	1 319 995	1 250 000
Rural Roads Assets Management Grant (RRAMS)	2 285 660	2 286 000
Industrial Development Corporation	193 778	17 088
	717 024 780	**673 248 684**
Capital grants		
Municipal Infrastructure Grant (MIG)	480 067 221	427 207 295
Rural Bulk Infrastructure Grant (RBIG)	95 187 491	64 599 559
Water Services Infrastructure Grant (WSIG)	28 306 141	86 815 913
	603 560 853	**578 622 767**
	1 320 585 633	**1 251 871 451**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	609 103 633	593 291 855
Unconditional grants received	711 480 000	658 579 596
	1 320 583 633	**1 251 871 451**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services

to indigent community members.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	36 834 705	-
Current-year receipts	464 936 000	464 042 000
Conditions met - transferred to revenue	(480 067 071)	(427 207 295)
Amount deducted from Equitable Shares	(5 535 000)	-
	16 168 634	**36 834 705**

Conditions still to be met - remain liabilities (see note 10).

Expanded Public Works Programme (EPWP)

Current-year receipts	1 746 000	1 085 000
Conditions met - transferred to revenue	(1 745 995)	(1 085 000)
	5	**-**

Conditions still to be met - remain liabilities (see note 10).

Water Services Infrastrucuture Grant (WSIG)

Balance unspent at beginning of year	8 184 087	33 540 616
Current-year receipts	65 000 000	95 000 000
Conditions met - transferred to revenue	(28 306 141)	(86 815 913)

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

18. Government grants and subsidies (continued)

Amount deducted from Equitable share	-	(33 540 616)
	44 877 946	**8 184 087**

Conditions still to be met - remain liabilities (see note 10).

Finance Management Grant (FMG)

Current-year receipts	1 320 000	1 250 000
Conditions met - transferred to revenue	(1 319 347)	(1 250 000)
	653	**-**

Conditions still to be met - remain liabilities (see note 10).

Rural Roads Assets Management System Grant (RRAMS)

Balance unspent at beginning of year	-	483 980
Current-year receipts	2 291 000	2 286 000
Conditions met - transferred to revenue	(2 285 660)	(2 286 000)
Amount deducted from Equitable share	-	(483 980)
	5 340	**-**

Conditions still to be met - remain liabilities (see note 10).

The grant was incorrectly classified as a capital grant in the prior year.

Industrial Development Corporation

Balance unspent at beginning of year	1 720 608	1 737 696
Current-year receipts	(193 779)	(17 088)
	1 526 829	**1 720 608**

Conditions still to be met - remain liabilities (see note 10).

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	(47 673 672)	(44 990 085)
Current-year receipts	92 354 914	61 915 972
Conditions met - transferred to revenue	(95 187 491)	(64 599 559)
Outstanding receipts	50 506 249	47 673 672

Conditions still to be met - remain liabilities (see note 10).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 03 of 2017), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Figures in Rand	2019	2018

19. Employee related costs

Basic	242 582 145	210 698 504
Bonus	2 533	-
Medical aid - company contributions	12 129 874	11 042 605
UIF	1 499 817	1 442 515
SDL	3 064 703	2 620 987
Other payroll levies	91 057	73 903
Leave pay provision charge	4 340 745	6 874 090
Group life	1 163 108	1 967 817
Pension Fund	36 137 899	31 858 184
Travel, motor car, accommodation, subsistence and other allowances	30 565 675	26 534 368
Overtime payments	29 465 937	20 539 989
Long-service awards	1 700 201	1 299 058
Housing benefits and allowances	2 308 555	1 431 515
Cellphone allowance	1 710 344	2 661 819
Shift and standby allowance	13 760 787	11 062 236
Uniform allowance	50 000	80 000
Uniform	-	2 621 266
Defined benefit plan	(47 214)	-
	380 526 166	**332 808 856**

Remuneration of municipal manager

Annual Remuneration	1 091 228	1 123 774
Car Allowance	240 000	240 000
Contributions to UIF, Medical and Pension Funds	158 101	111 763
Other Allowances	127 761	59 738
	1 617 090	**1 535 275**

Remuneration of chief finance officer

Annual Remuneration	295 860	180 629
Car Allowance	28 000	72 258
Contributions to UIF, Medical and Pension Funds	39 250	41 598
Other Allowances	26 360	10 232
Acting Allowance	67 231	-
	456 701	**304 717**

The CFO was appointed for four months during the financial year.

Director - Corporate Services

Annual Remuneration	788 428	625 620
Car Allowance	72 000	70 000
Contributions to UIF, Medical and Pension Funds	72 770	46 017
Other Allowances	217 049	144 800
Leave pay-out	-	129 579
	1 150 247	**1 016 016**

The Director Corporate Services resigned during the year and the position remained vacant at year end

Director Community Services

Annual Remuneration	1 160 747	1 353 527
Car Allowance	60 000	60 000

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

19. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	159 429	123 716
Other Allowances	98 471	51 825
	1 478 647	**1 589 068**

Director Infrastructure and Water Services

Annual Remuneration	782 581	238 610
Car Allowance	192 936	58 175
Contributions to UIF, Medical and Pension Funds	135 246	40 098
Other Allowances	85 442	8 658
	1 196 205	**345 541**

The position has been vacant for last 3 months of the financial year.

Director Planning and Economic Development

Annual Remuneration	943 222	990 343
Car Allowance	156 000	156 000
Contributions to UIF, Medical and Pension Funds	125 433	109 709
Other Allowances	102 174	33 961
	1 326 829	**1 290 013**

Chief Audit Executive

Annual Remuneration	1 100 887	1 290 204
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	182 493	159 837
Other Allowances	69 298	37 373
	1 472 678	**1 607 414**

20. Remuneration of councillors

Executive Mayor	808 767	948 710
Chief Whip	749 203	706 289
Mayoral Committee Members	6 762 059	5 833 600
Speaker	729 532	807 695
Councillors	7 548 163	8 874 857
	16 597 724	**17 171 151**

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

20. Remuneration of councillors (continued)

Executive Mayor: Cllr Ramaila KS

Basic salary	714 388	847 770
Travelling allowance	-	4 919
Cell phone allowance	40 800	43 200
Pension fund contributions	53 579	52 822
	808 767	**948 711**

Council Speaker: Cllr Manamela MM

Basic salary	623 173	699 963
Cell phone allowance	40 800	42 200
Pension fund contributions	46 738	47 612
Medical aid benefit	18 821	17 921
	729 532	**807 696**

Chief Whip: Cllr Lepota TJ

Basic salary	410 720	391 645
Travelling allowance	235 573	222 184
Cell phone allowance	40 800	38 900
Pension fund contributions	30 804	26 654
Medical aid benefit	31 306	26 906
	749 203	**706 289**

Mayoral Committee Members

Basic salary	3 306 840	2 966 694
Travelling allowance	2 677 700	2 262 133
Cell phone allowance	367 200	329 200
Pension fund contributions	247 969	205 951
Medical aid benefit	162 351	69 622
	6 762 060	**5 833 600**

21. Depreciation and amortisation

Property, plant and equipment	78 831 976	79 531 849

22. Impairment of assets

Impairments		
Property, plant and equipment	3 767 402	2 592 136
The municipality has assessed the slow moving projects and immovable assets for existence of impairment conditions. The recoverable amount of the asset was based on its fair value less its value in use.		
Intangible assets	-	43 971
	3 767 402	**2 636 107**

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

23. Finance costs

Borrowings	11 077	80 657
Late payment of creditors	335 856	165 582
Discounting of provisions	3 482 815	3 315 864
	3 829 748	**3 562 103**

24. Debt impairment

Debt impairment	15 101 117	15 754 455

25. Bulk purchases

Water	196 006 452	133 159 049

26. Contracted services

VIP Sanitation	79 299 609	76 603 384

27. General expenses

Advertising	736 474	1 068 692
Auditors remuneration	7 437 778	5 829 296
Bank charges	289 155	355 903
Consulting and professional fees	42 372 561	31 169 067
Entertainment	33 785	39 543
Insurance	3 526 968	2 258 967
IT expenses	-	41 867
Fuel and oil	12 434 655	11 462 433
Security (Guarding of municipal property)	35 324 031	31 590 667
Software expenses	2 288 920	2 524 132
Subscriptions and membership fees	18 082	12 888
Telephone and fax	4 438 018	4 073 863
Transport and freight	258 773	514 164
Travel - local	1 439 291	1 220 026
Electricity	45 263 564	41 508 325
Other expenses	49 174 808	43 491 487
Tankering costs	50 199 115	37 483 475
	255 235 978	**214 644 795**

28. Auditors' remuneration

Fees	6 640 621	4 795 524
Consulting	797 157	1 033 772
	7 437 778	**5 829 296**

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

29. Cash generated from operations

Surplus	306 797 269	376 176 624
Adjustments for:		
Depreciation and amortisation	78 831 976	79 531 849
Loss on sale of assets and liabilities	276 547	1 838 142
Impairment loss	3 767 402	2 636 107
Debt impairment	15 101 117	15 754 455
Movements in operating lease assets and accruals	216 180	(1 059 861)
Creditors written-off	(87 737)	-
Movements in provision for land fill site	-	69 352
Interest received - debtors	(11 892 632)	(8 159 250)
Finance cost provisions	3 482 815	3 315 864
Actuarial gains	(927 478)	(2 128 061)
Provision for land fill written back	(12 441 973)	(9 607 460)
Movement in Post retirement benefit	(47 214)	875 939
Changes in working capital:		
Inventories	3 977 451	(1 400 674)
Receivables from exchange transactions	(34 648 994)	(27 093 687)
Other receivables from non-exchange transactions	(4 985 957)	98 922
Payables from exchange transactions	22 417 287	80 456 196
VAT	11 610 247	(19 066 827)
Prepayments	-	16 212
Unspent conditional grants and receipts	15 840 007	10 977 108
Consumer deposits	400 465	1 421 833
Operating lease	216 180	(1 059 861)
	397 902 958	**503 592 922**

30. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	105 861 361	105 861 361
Other receivables from non-exchange transactions	52 333 628	52 333 628
Cash and cash equivalents	59 170 042	59 170 042
	217 365 031	**217 365 031**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	401 131 866	401 131 866

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	70 420 853	70 420 853
Other receivables from non-exchange transactions	47 347 671	47 347 671
Cash and cash equivalents	103 906 202	103 906 202

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

30. Financial instruments disclosure (continued)

	221 674 726	**221 674 726**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	385 737 035	385 737 035

31. Commitments

Authorised capital expenditure

	2019	2018
Already contracted for but not provided for		
• Property, plant and equipment	349 807 985	415 304 241
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	29 000 000	-
Total capital commitments		
Already contracted for but not provided for	349 807 985	415 276 181
Not yet contracted for and authorised by accounting officer	29 000 000	-
	378 807 985	**415 276 181**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

	2019	2018
Minimum lease payments due		
- within one year	28 304 327	31 082 186
- in second to fifth year inclusive	29 089 543	21 505 184
	57 393 870	**52 587 370**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

32. Contingencies

Litigation is in the process against the municipality relating to a dispute with awarding of contracts, payment to contractors and dismissed employees to the value of R 63 679 469 (2018 - R 140,638,709). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the cases should be resolved within the next two years.

The labour matters against the municipality amounted to R 529,634 and civil cases for unfair SCM processes and contracts disputes amounted to R 63,149,835.

Contingent assets

Civil proceedings have commenced against the entity previous employees concerned to recover an amount of R 341 981 - as a result of material losses incurred in the previous year. According to Entity's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

33. Related parties

Relationships

Accounting Officer and Senior Management	Refer to note 19
Councillors	Refer to note 20

34. Prior period errors

Receivable from exchange transaction: correction of customers accounts who were billed using incorrect tariffs and readings.

VAT receivable: correction of customers accounts who were billed using incorrect tariffs and readings.

Property, plant and equipment: correction of projects completed in the prior years which were not capitalised.

Property plant and equipment: recognition of assets which were discovered during the verification of assets.

Cash and cash equivalents: correction of ELE deleted on system but no entries were effected on the general ledger.

Payables from exchange transaction(Advane payment): correction of customers accounts who were billed using incorrect tariffs and readings.

Provision for Bonus not accounted for in the year 2017 financial year of R38 603.40

Provisions: Correction of short term portion of provision incorrectly calculated in the prior year.

Operating lease liability: correction of prior year incorrect calculation of straightlining of lease.

Accumulated surplus: correction of customers accounts who were billed using incorrect tariffs and readings.

Services charges: correction of customers accounts who were billed using incorrect tariffs and readings.

Interest received - Debtors: correction of customers accounts who were billed using incorrect tariffs and readings.

Employee related cost: correction of prior year payment incorrectly captured in the current year.

Depreciation and amortisation: Capitalisation of projects completed in the prior year and recognistion of asset on the floor not in the asset register.

Loss on disposal of assets; correction of prior year disposal.

General expenses: correction of ELE deleted on system but no entries were effected on the general ledger.

Repairs and maintenance: Correction of amount not acrrued in the prior year.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	2019	2018
Receivable from exchange transaction	-	(1 748 769)
VAT receivable	-	192 070
Cash and cash equivalent	-	47 200
Accumulated surplus	-	(10 551 279)
Payables from exchange transaction	-	16 032 667
Property, Plant and equipment	-	8 446 467
Operating Lease	-	295 821

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

34. Prior period errors (continued)

Statement of financial performance		
Service charges	-	(1 344 579)
General expenses	-	41 404
Depreciation	-	3 260 511
Interest received - debtors	-	(189 154)
Employee costs	-	2 621 266
Other income	-	358 017
Impairment loss	-	239 267
Finance cost	-	165 582
Lease rentals operating	-	295 821
Loss on disposal of assets and liabilities	-	(3 634 268)
General expenses	-	89 286
Repairs and maintenance	-	(29 500)

35. Comparative figures

36. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

37. Going concern

The consolidated annual financial statement have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

38. Events after the reporting date

Management is not aware of any events that occurred after year end that may have an impact on the financial statements.

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

39. Unauthorised expenditure

Opening balance as previously reported	54 159 575	-
Opening balance as restated	**54 159 575**	**-**
Expenditure during the year	213 755 128	54 159 575
Closing balance	**267 914 703**	**54 159 575**

40. Fruitless and wasteful expenditure

Opening balance as previously reported	5 341 051	23 489 864
Opening balance as restated	**5 341 051**	**23 489 864**
Add: Amount written off (not condoned)	-	(166 704)
Less: Amount written off - current	-	166 704
Expenditure during the year	661 676	110 651
Expenditure recovered	-	(17 815 693)
Closing balance	**6 002 727**	**5 784 822**

41. Irregular expenditure

Opening balance as previously reported	744 383 048	1 192 547 322
Add: Irregular Expenditure - current year	73 716 176	26 621 779
Add: Amounts written off as irrecoverable (not condoned)	**818 099 224**	**1 219 169 101**
Less: Amount written off - current	(472 647 031)	(472 905 189)
Closing balance	**345 452 193**	**746 263 912**

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 627 328	3 182 130
Amount paid - current year	(3 627 328)	(3 182 130)
	-	-

Material losses (Water distribution)

Kilolitres of water lost	11 189 317	15 749 310
Value of water losses during the year	60 682 242	97 012 345

Audit fees

Opening balance	1 024 743	-
Current year subscription / fee	7 044 615	6 164 172
Amount paid - current year	(8 069 358)	(5 139 429)
	-	**1 024 743**

PAYE and UIF

Opening balance	4 590 221	-
Current year subscription / fee	78 280 649	60 497 640
Amount paid - current year	(82 870 870)	(55 907 419)
	-	**4 590 221**

Figures in Rand	2019	2018

42. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	(142 425)	(142 425)
Current year subscription / fee	75 187 061	67 801 273
Amount paid - current year	(74 928 492)	(67 801 273)
	116 144	**(142 425)**

43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the consolidated annual financial statement.

The municipality has deviated from normal supply chain processess with transactions to the value of R 7,842,308. The transactions were duly reported to council and subjected to investigation by council commitee.

44. Budget differences

Material differences between budget and actual amounts

The following are explanations for material variances between budgeted and actual amounts.

N1 - There are new additional areas that were billed in the financial year.

N2 - The increase in outstading debtors throughout the year.

N3 - Interest on primary bank account was low for the year due to cash flow challenges experienced during the year.

- Less gains on assets recognised for the year.

N4 - The transfer of the landfill to Makhuduthamaga Local Municipality.

N5 - The implementation of investment policy that had yielded positive variances.

N6 - The variances is due to the Regional Bulk Infrastructure Grant (RBIG) being an indirect grant, furthermore there were delays in approval of projects and transfer of the grants by the transferring departments (Department of Water & Sanitation)

N7 - The variances were mainly due to the excessive spending on overtime, standby allowance, shift allowance and travel allowance.

N8 - The variances was due to excessive spending on travel allowance.

N9 - The budget was not adequately provided for.

N10 - The variance was due to increase in discounting cost/factor on long service and leave provision.

N11 - The variance was due to budget not provided for.

N12 - The variance was due to budget not provided for.

N13 - The budget was not adequately provided for.

N14 - The budget was not adequately provided for

N15 - The budget was not adequately provided for

Notes to the Consolidated Annual Financial Statement

Figures in Rand	2019	2018

44. Budget differences (continued)

N16 - The budget was not adequately provided for.

N17 - The varinces is due to long services allowance.